

## Message Text

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ORIGIN L-03

INFO OCT-01 NEA-10 ISO-00 CIAE-00 PM-04 H-02 INR-07

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

TRSE-00 OMB-01 AID-05 IGA-02 EB-07 COME-00 /072 R

DRAFTED BY L/NEA:BKHUFFMAN:DSC

APPROVED BY NEA/ARP:FMDICKMAN

DOD/DSAA:LT. COL. R. HEVERLEY

NEA:SSOBER(DRAFT)

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R 022038Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

SECDEF

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L STATE 080010

E.O. 11652: GDS

TAGS: MARR, MASS, SA, US

SUBJECT: POSSIBLE RETROACTIVITY OF SAG AGENT'S FEE DECREE

REFS: A. JIDDA 1218, B. STATE 33234, C. STATE 7674,  
D. JIDDA 8442, E. STATE 246366 (16 OCT 75), F. STATE 240787  
(9 OCT 75), G. STATE 238939 (7 OCT 75), H. JIDDA 6441  
(20 SEPT 75)

1. CADILLAC-GAGE COMPANY, WHICH IS PERFORMING CONTRACT  
UNDER FOREIGN MILITARY SALES ACT FOR SANG HAS WRITTEN DOD  
DEMANDING THAT USG REIMBURSE COMPANY FOR FULL VALUE OF  
AGENTS FEES WHICH ARE INCLUDED AS SPECIFIC ITEM OF  
RECOVERABLE COSTS IN COMPANY'S CONTRACT WITH USG. DOD EX-  
PECTS SIMILAR DEMANDS FROM OTHER CONTRACTORS AND, IN  
EFFORT AVOID LITIGATION AND POSSIBLE FUTURE USG CLAIMS  
AGAINST SAG, DESIRES FURTHER EXPLICIT CLARIFICATION ON  
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ISSUE OF RETROACTIVITY OF SAG COUNCIL OF MINISTER'S DECREE

OF SEPTEMBER 17 (REF H).

2. MFA NOTE OF DEC. 3, 1975 (REF D) STATES "NO COMMISSION AGREEMENTS PREVIOUSLY CONCLUDED BY ANY OF THOSE COMPANIES WITH ANY OTHER PARTY SHALL BE CONSIDERED VALID NOR SHALL IT BE BINDING TO THE SAUDI GOVERNMENT. SHOULD A FOREIGN COMPANY BE FOUND COMMITTED TO COMMISSION AGREEMENTS, THE SAUDI ARABIAN GOVERNMENT WOULD WITHHOLD PAYMENT OF DUE

COMMISSIONS AFTER SERVING NOTICE, AND COMMISSIONS WOULD BE DEDUCTED FROM THE CONTRACT'S GROSS VALUE FOR THE ACCOUNT OF THE SAUDI GOVERNMENT."

3. IF ABOVE NOTE CAN BE CONSIDERED AUTHORITATIVE INTERPRETATION OF SEPTEMBER 17 DECREE, IT WOULD APPEAR TO BAN PAYMENT OF AGENT'S FEES AFTER SEPTEMBER 17 EVEN IF THERE WAS VALID CONTRACT REQUIRING PAYMENT OF AGENTS FEES WHICH PRE-DATED SEPTEMBER 17 DECREE.

4. ANOTHER UNRESOLVED ISSUE CONCERNS THE APPLICABILITY OF THE DECREE TO SERVICE TYPE CONTRACTS. SINCE THE DECREE SPECIFICALLY MENTIONS ARMS AND EQUIPMENT CONTRACTS, CERTAIN AGENTS AND CONTRACTORS CONSIDER THAT COMMISSIONS/FEES ARE NOT ONLY AUTHORIZED BUT ENCOURAGED FOR SERVICE TYPE CONTRACTS. WE CONSIDER THAT THE DECREE APPLIES TO ALL COMMISSIONS/FEES.

5. REQUEST EMB SEEK MOST AUTHORITATIVE SAG STATEMENT ATTAINABLE ON THESE ISSUES. IN LIGHT OF APPARENTLY GREATER WILLINGNESS OF PRINCE ABDULLAH TO DISCUSS AGENT'S FEE PROBLEMS (AS REFLECTED REF A ) AND FACT THAT CADILLAC-GAGE IS PERFORMING CONTRACT FOR HIS MINISTRY, EMBASSY MAY WISH TO APPROACH HIM FOR FURTHER CLARIFICATION ON THESE POINTS.

6. ESSENTIAL THAT WRITTEN SAUDI RESPONSE BE OBTAINED. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LITIGATION, BUSINESSMEN, POLICIES, FEES, MILITARY SALES, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 APR 1976  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**Drafter:** BKHUFFMAN:DSC  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** POSSIBLE RETROACTIVITY OF SAG AGENT'S FEE DECREE  
**TAGS:** MARR, MASS, SA, US, CADILLAC-GAGE COMPANY  
**To:** JIDDA DOD  
**Type:** TE  
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